Development (1938) Department

SERIES

G.O. No. 1439

DATED 8-6-1938

[Despatch Abstract.]

Co-operative Societies -

Registration - Amendments to by-laws - Udipi Town Bank

Appeal against orders of Deputy Registrar, Mangalo

Rejected.

Da.819 V
17.2.38

The Udipi Co-operative Town Bank Ltd.,

UDIPI, S. KANARA.

No. 2516.

№ 51/38

Date 15th Feb. 1938.

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ರಿಜಿಸ್ಟರ್ಡ್ FEB 1938

The Secretary,
Udipi Cooperative Town Bank Ltd.,
Udipi.

To

The Secretary,
Development Department,
Government of Madras,
MADRAS.

Sir,

Under authority from the Board of Directors, this appeal is preferred from the order of the Deputy Registrar of Co-operative Societies, Mangalore refusing to register the amendments to by-laws of the Bank resolved upon at the General Body Meeting dated 3.10.37 on the following among other grounds:-

1. The existing by-law 1 confines the area of operation to the proposed Municipal Town limits of Udipi. It is difficult to know the exact boundaries of the said area and some difficulty is experienced in the practical working of the Bank on account of its vague definition. The amended by-law 1 defines the area of operation in very clear terms and ought to have been registered. The objection to the area of operation proposed for issue of mortgage loans as bei too big is not tenable, since mortgage loans can only be granted to members who reside within the area of operation. It cannot be deni that mortgage loans are better secured than surety loans and it is i the interest of both the Bank and the members thereof to encourage th former.

2. The amended by-law 43 seeks to reduce the prevailing rates of interest on all loans granted by the Bank, and the refusal to register the same is quite unjustifiable. The advice tendered to adopt a uniform rate of interest for mortgage and security loans is most unconvincing. Where a better form of security is given by the borrower, it is in the fitness of things that he ought to be charged a lesser rate of interest.

3. The amended by-law 44(8) which is copied from S.32(3) of the Act enables loans being granted to a depositor on the security of his deposit even though he is not a member of the Bank. The limit upto which loans on the security of deposits may be given is already specified in the existing By-law 44(1) and need not be repeated in the amended By-law 44(8). For a satisfactory working of a Town Bank a fairly large number of deposits from members as well as from non-members is essential. The amended By-law 44(8) is expected to invite more deposits from non-members also, and being not contrary to the Act or to the Rules, ought to have been registered.

4. Under the existing By-law 47 it is obligatory upon the Bank to close the account of a borrower on the expiry of a week from the date of default in the payment of any instalment due from him, and the whole outstanding loan becomes recoverable at the end of that period. This causes great and unnecessary hardship on the borrower. The amended By-law extends this period of one week to three months from

the date of default on the expiry of which the account of a borrower should be closed. A discretion, however, is vested in the Board of Directors whenever necessary to close the account of a borrower even after the expiry of a fortnight from the date of default provided due notice is given to the borrower. The amended By-law 47 safeguards the interests of both the borrower and the Bank and is most wholesome rule and ought to have been registered.

5. Under the existing By-law 62(7), the account of a borrower who has taken a loan on the mortgage of his immoveable properties ought to be closed on the expiry of three months from the date of default in the payment of any instalment due from him, and at the end of that period the whole outstanding loan becomes recoverable. The amended By-law 62(7) seeks to extend this period of three months to one year from the date of default on the expiry of which the account of the borrower should be --- closed. A discretion, however, is vested in the Board of Directors whenever it deems necessary to close the account even after the expiry of three months from the date of default after giving notice to the borrower. One fails to see how this ~~appeal~~ proposal is against the model and the refusal to register the amendment on such flimsy ground has to be very much regretted.

6. There is a recommendation by the Deputy Registrar to abolish the penal rate of interest. It is submitted that if the penal rate of inerest is abolished, there will not be any incentive for a borrower who pays the instalments due from him regularly to continue to do so unless some rebate

ಉಡುಪಿ ಸಹಕಾರಿ ಟೌನ್ ಬ್ಯಾಂಕ್ ಲಿಮಿಟೆಡ್, ಉಡುಪಿ.
ನಂ. 2516/38

The Udipi Co-operative Town Bank Ltd.,

No. 2516. UDIPI, S. KANARA.

№.....

Date 15-2-1938.

~~is~~ granted to him after all the instalments due from him are paid. Otherwise the Bank will find it difficult to collect its dues regularly, and the smooth working of the Bank might to a certain extent be impaired.

7. It is therefore prayed that the amendments to By-laws of the Bank resolved upon at the General Body Meeting dated 3.10.37 may be registered.

I have the Honour to be,
Sir,
Yours obediently,

Secretary.

15/2/38

Ser Dept

4

11/2/38.

Appeal from the Coop: Town Bank, Udipi, D 15-2-38 against the order of Dr Rg, Mangalore refusing to register certain amendments to bylaws. ——

Rec'd No 8194 D 22-2-38

Dr 24/2

Referred to the Rg for his remarks, if the appeal is within time.

AK 24/2

Rg's remarks which ought to be sent.

Rg's remarks which ought to be sent.

Rec'd 25/4/38
Regd 28.2.38
To Rg

Under sec. 12(2) of the B.C.S. Act, the appeal should reach Govt within two months from the date of the order. The appellant has not enclosed a copy of the order appealed against and it is not known whether the appeal is in time. The remarks of the Rg is invited, if it is in time

Rec'd 25/4/38 Regd 23238 AK 24/2

ASSISTANT SECRETARY TO GOVERNMENT
10 APR 1938
DEVELOPMENT DEPARTMENT

Co-operative DEPARTMENT. 6

C.F. 30.

Received ..... 19 *Registered* Dev. 1612 V 19
11.4.38

Subject.

Bylaws - Udipi Co-operative Town Bank Ltd. - amendments - registration - refusal by the Deputy Registrar Mangalore - Appeal.

ENCLOSURES.
No. .....
.....
Spare copies .....

No. B. 1652/38.

Station Chepauk, Madras. *Dated the* 7th A p r i l 19 38.

From (Name) T. Austin Esquire, I. C. S.,
(Designation) Registrar of Co-operative Societies.

To The Secretary to the Government of Madras,
Development Department.
Fort St. George, Madras.

Sir,

Ref:- Government Endorsement No. 819-V-38-1 Dev. dated 24-2-38.

I resubmit the appeal petition of the Udipi Cooperative Town Bank Ltd., with my remarks thereon.

2. The appeal is within the time stipulated in sec.12 of the Madras Cooperative Societies Act of 1932.

Bylaws: A number of villages has been proposed to be included in the area of operations of the bank. Among them the village of Badagabettu is one. As there is a separate society functioning in the village, the inclusion of this

village in the Bank's area of operations results in overlapping of jurisdiction. The Udipi Supervising Union, to which these societies are affiliated, has also remarked that no such overlapping of jurisdiction should be permitted. The Deputy Registrar was therefore right in rejecting the amendment.

In the last sentence of this bylaw, the Bank has proposed to provide for the grant of loans to members on the security of their immoveable property situate in the whole of Udipi taluk. The area proposed to be covered is very wide and in view of the fact that several village credit societies are functioning in all parts of this taluk and that there is a near prospect of forming a land mortgage bank for this area, the Deputy Registrar, I think, was justified in refusing registration of this amendment.

Bylaw 43 : The amendment relates to the rates of interest proposed to be levied on loans granted to members. In items (4) and (5) it is proposed to charge interest at the rate of Rs 7-13-0 per cent per annum on loans on pledge of agricultural produce and at Rs 8-9-6 per cent per annum on personal suretyship loans. Owing to the continued economic depression I had advised all co-operative societies to reduce their lending rate to 7½ per cent per annum and all of them have already adopted this rate. There is therefore no justification for this bank to fix the rates higher than 7½ %. Further it is not open to the Deputy Registrar to register the amendment in part. He was therefore obliged to reject the amendment.

Bylaw 44(8) : The amendment relates to the grant of loans to non-members on the security of their deposits In the first place, the amendment is not clearly worded; Secondly, the bank has not specified the limit upto which loans can be granted on this security. The contention of the bank that the limit specified in clause (1) of this

bylaw applies to this clause is wrong, as each clause is independent of the other and should be ~~so~~ self-contained. The Deputy Registrar was therefore right in refusing registration and he will have no objection to register it if the clause is recast properly.

Bylaw 47 : In this amendment the Bank wants to perpetuate the levy ~~of~~ penalty of one pie per rupee on overdue instalments of principal, while there has been a cry everywhere for the total abolition of this levy. On my advice almost all societies have abolished this penal provision. But in deferance to the wishes of urban cooperators and in accordance with the resolution passed at the Urban Banks' conference held in August 1936, I have permitted Urban Banks, in necessary cases, to charge on overdue instalments of principal one percent higher than the ordinary rate of interest charged by them so as to meet the working expenses. The Deputy Registrar was therefore justified in rejecting the amendment.

Bylaw 62(7): This amendment relates to defaults in respect of mortgage loans granted to members on the security of their immoveable property. Here, the bank wants to perpetuate the levy of the exorbitant penalty of 1¾ pies per rupee on overdue instalments of principal and to keep the loan account open. for a period of one year. By this the bank seeks to make a distinction between defaults in mortgage loans and others. This distinction is unnecessary and the period of one year is rather long. The model bylaws of limited liability credit societies provide in all cases for period of 3 months only. Hence the amendment was rejected. Further the amendments to bylaw 47 and 62(7) have not been clearly worded. If the Bank adopts the wording of the model bylaw with a provision to charge only one percent more on overdue instalments of principal and to close the loan accounts within 3 months in the case of all kinds of loans, the amendments will be registered.

I have the honour to be,
S i r,
Your most obedient servant.

9/4
For Registrar.

S.V.B/8-4-38.

Copy of ~~this office~~ letter No.C.2167/37 dated 19-12-37 from the Dy Registrar, Mangalore to the Secretary, Udipi Co-operative Town Bank Ltd.

- - -

Sub:- Udipi Co-operative Town Bank - amendments to bylaws.
Ref:- General body meeting proceedings dated 3-10-37.

- - -

Res.2 (a):- The following assets are permitted to be written off:-

1. Shares in Sadananda Co-operative Printing works.	Rs.	25 0 0
2. Excess dividend paid.		2 12 0
3. Excess Provident interest paid		1 11 0
4. Cost of pass books.		0 4 0
5. Excess interest paid on fixed deposits.		1 12 0
		31 7 0

Regarding the other items proposed to be carried to Reserve Fund, the society is informed that the amounts should be refunded to the parties concerned.

Res.4:- The expenditure proposed is very heavy. The society is advised to confine its expenditure within ~~the~~ limits and not to spend more than Rs.750/- in all under establishment and contingent charges in 37-38.

Bylaw 1:- The amendment proposed cannot be registered. The Bank is requested to propose difinite areas in consultation with the other two Urban societies in Udipi ~~xx~~ in order to avoid overlapping of jurisdiction. The area of operations proposed ~~for mortgage~~ for issue of mortgage loans is too big.

Bylaw 43:- The Bank is advised to adopt a uniform rate for mortgage and surety loans and a lesser rate for the pledge of jewels.

Bylaw 44:- The bylaws cannot be registered as no definite rules have yet been framed.

Bylaw 44(7):- A copy of the model adopted in other urban banks is sent to the Bank for adoption.

Bylaw 44(8):- The limit up to which loans on the security of deposits may be issued is not specified. 90% of the deposit may be fixed. The bank is also informed to restrict this kind of loan to members only.

Bylaw 47:- The reasons for this amendment are not given.

~~the pond~~

The penalty proposed is too much. The necessity for the amendment may kindly be reported.

Bylaws 50, 51 and 52:- Orders will follow

Bylaw 62(7):- The proposal is against the model The amendment is therefore rejected. The society is requested to abolish the penal rate in this bylaw.

/True copy/

sd/ Srinivasa Rambhiga

for Deputy Registrar. 3.5.38

2.5.38.

The Udipi Co-operative Town Bank Ltd.,

UDIPI, S. KANARA.

No. 2516.

Date 18th May 1938

No. 233/38

To

The Secretary,
Development Department,
Government of Madras,
M A D R A S.

D. 2208-V
23-5-38

Sir,

With reference to the appeal dated 18.2.'38 preferred from the order of the Deputy Registrar of Co-operative Societies, Mangalore refusing to register the amendments to the by-laws of the Bank resolved upon at the General Body meeting dated 3.10.'37, I request you to kindly let me know whether the same has been disposed off. It is hoped that all the amendments resolved upon at the General Body meeting will be registered at an early date.

I have the honour to be,

Sir,

Your most obedient servant,

Secretary.

18/5

To us

The connected file was called for on 16/5. It may be awaited.

Ver Dept

T. N

To

The Rg of Cs
Madras

Ref: your letter No B/1602/38 dt 7.4.38 - Madapi Town Bank - Bye laws - amendments - registration - refusal - appeal

Please send up to date copy of the bylaws of the Bank and a copy of the DR's order refusing to register the amendments, against which the Bank has appealed to Govt.

Govt Secy 28.4.38

28/4/38

Govt 29/4

28/4/38

To L.S

It is found difficult to deal with the Regr's letter, in the ref. without a copy of the bylaws and a copy of the DR's order appealed against. Neither the appellant nor the Regr has forwarded them so far.

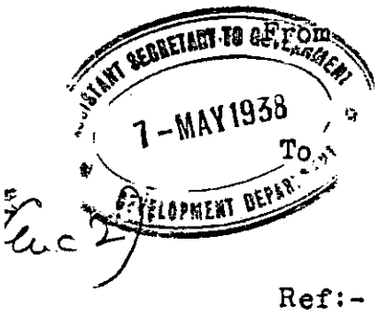
29/4/38

Dev. 1968. V

7. 5. 38.

POST COPY OF TELEPHONIC MESSAGE.

Dated 6-5-38.



From The Personal Assistant to the Registrar of Co-op. Societie Madras.

To The Under Secretary to Government, Development Department.

Ref:- Your Telephonic message dated 28-4-38, regarding Udipi Town Co-operative Town Bank - Refusal to register amendments to bylaws - Appeal.

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Copies of the bylaws of the bank and the letter of the Deputy Registrar refusing registration of the amendments are sent with the post copy of this telephonic message. The bylaw copy may be returned when done with.

a Dabniahee 6/5

KJB/6-5

Personal Assistant to the Registrar.

6/5

Dev Dept

Appeal - refusal to register amendment to bylaws - Udipi Coop. Town Bank -

To H.S

Please see appeal preferred by the Udipi Coop. Town Bank, Udipi, against the order of the Dt Regr Co.s Mangalore refusing to register certain amendments to the bylaws of the Bank. The remarks of the Regr of Co.s on the appeal will be found at pp 6-8 c/f. The Regr has categorically mentioned the objections to the amendments proposed by the Bank. It is submitted that there do not appear to be any grounds for interference with the order of the Dt Regr of Co.s, subject to orders a draft order is subd for approval.

pp 1-4 c/f

14.5.38

9/-

21/5/38

HM(I&C)

20.5.38

7/6/38

C.F. 16.

DRAFT FOR APPROVAL.

22/9/36 Date. Initials.

	Date.	Initials.
When received for fair copying ..		
When copied ..	9/6	
When examined ..		
When signed ..		
When despatched.		

SUBJECT :— Co-operative Societies

~~Appeal to~~ Registration – amendments to bylaws – Worli Town Board – appeal against ~~unreasonable~~ order of D.R. Mangalore – rejected.

READ AGAIN _____, dated _____ 19____

" " _____ " _____ 19____.

READ *ALSO* :—

No. 8797/38 From the Secy, Worli Co-op. Town Board, No. 57/38, dated 15-2-1938. (pp 1-4 cy)

" _____ " ~~Govt to the Reg. Co-op. Societies~~ Worli Town Board No. 8797/38 24-2-1938. (p 5 cy)

" _____ " From the Reg. Co-op. Societies No. B 7652/ " 7-4-1938. (pp 6-8 cy)

Order / Resolution ~~Ms. Reut.~~ No. 1439, dated 8-6-1938.

The Govt see no grounds to interfere with the order of the Dy. Registrar Co-op. Societies Mangalore, refusing to register certain amendments to the bylaws of the Worli Co-op. Town Board, Worli. The appeal is rejected.

16/6

20/6/38

DR 7/6

14 Reg. post. 1 Encls

Lr. dt. 8

To the Secy, Worli Co-op. Town Board, Worli

S. Kanara, Surathkal (by Reg. post)

Copy to the Reg. Co-op. Societies with bylaws acptd.

16/6 4/6/38